

Title: Chew-On-This.org has posted a new item, 'MediaPost Publications - Department-Store Decline: It's Not the Economy' 01/05/2009

Another good report on the state of retail, this one from MediaPost. As we've written about before, retailers need to create better experiences that differentiate themselves from one another, rather than create homogenous environments that all look the same and all have the same merchandise mixes. As we wrote in a piece for the Retail Advertising Conference last year, our walk through the luxury domain of the upper East Side showed that many of the stores up there were just "soulless, glorified, two-dimensional web sites; products are presented passively to consumers with no retail-as-theater." Who wants to spend time — and money — in a retail environment like that?

Only 6% of consumers did most of their shopping in stores like Macy's, JC Penney or Dillard's this year, compared to 15% in 2000. And the tens of millions of ad dollars spent trying to hype Black Friday, and get shoppers to spend earlier in the season? The "Ninth Annual National Shopping Behavior Study" finds that it had practically no impact.

"The problem is that these stores have relied too heavily on the things shoppers care least about, like coupons, loyalty programs, delayed payments and contests," says John Rittenhouse, chairman of Cavallino Capital, which sponsored the study. "And they've neglected the basic rules—the things consumers say always matter, like having the merchandise they expect in stock, having helpful people staffing the store, and a customer-friendly return policy." (Emphasis mine)

As a result, shoppers avoided stores: Only 51% visited any department store this holiday shopping season, compared to 57% last year, 60% in 2006 and 63% in 2005.

In a second MediaPost article today entitled Analyst to Brands: Stick to your Knitting, Landor Associates Chief Marketing Officer Hayes Roth made several excellent points:

"When the market turns south, the business in quality socks goes up. Maybe you're buying a luggage tag from Coach rather than the thousand-dollar purse; people want to be seen as frugal to a certain extent, less flashy."

"If you look back eight years ago, the iPod emerged after the economy last hit the skids; it was an example of an inventive product that had something to offer in a compact mode and was a hit," says Roth. "So I'm a big believer that in times like these both tried-and-true brands that stick to their knitting and don't get thrown off course, and brands that emerge with a better idea will fare well."

"What we are saying is that brands can't get thrown off the track. If you have done your homework on your brand, are clear about who your customers are, are determined to deliver on that brand promise and don't cut corners on brand fundamentals, you will stay the course. You may have to reduce margins and some services but the core brand promise you cannot walk away from."

Retailers are no different in this sense than brands. The go go years of the past created an environment where people just copied on another, without any real thinking about what or why they were copying. So today, we're left with a lot of brands that look alike that have no real sense of differentiation. And consumers, being the smart folks they are, can see that.

Lastly, I want to make this point again. For years, most brands have acted indifferently at best to their customers. A while back, we wrote this at the start of the banking crisis:

It does beg the question as to how much loyalty Northern Rock created with its customers before this all began. Too many brands use a crisis as the first real time they reach out to say "Hey, we're here for you.

Help us get through this and we'll be there for you when it's all over."

But when the crisis is over, they go back to business as usual. Do you think they'll offer to drop the interest rates on their mortgages for people who leave their money where it is? Or will they send your nasty notes when you're a day late with your mortgage payment?

You know, since I started reading about all of this, I can't help but think about Jimmy Stewart and the Bailey Savings & Loan. I can just picture him stuttering as he asks people to leave their money in the bank because it'll be safe. Trust me, he says. I live here too and I'll take care of you.

So take a look at what you're doing at retail and, if it looks like what everyone else is doing, get your resume together. You'll be looking for a new job in the not-too-distant future.